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L E T T E R

FROM

A PROPRIETOR

East India Co. - East India Co.
OF

INDIA STOCK, in TOWN,

TO A

PROPRIETOR in the COUNTRY.

L O N D O N :

Printed for W. NICOLL, No. 51, in St. Paul
Church Yard. 1769.

LETTER
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INDIAN TOWN
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LONDON:
Printed for W. Nicol, No. 51, in St. Paul's Church Yard.

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L E T T E R, &c.

London, Leadenhall-street, March 31, 1769.

S I R,

I AM not surpris'd that the uniform and obstinate opposition of the Directors of the India Company, to any augmentation of Dividend for the Proprietors, should appear to you (uninformed as you confess yourself) to arise from an inability in the Company to support any increase of disbursements; this is a natural and fair interpretation of the conduct of men whom you do not so much as know; but those who are intimately acquainted with the affairs of the India Company abroad and at home, who see the daily combinations of various interests and circumstances, and the powerful operations of

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party,

party, must be convinced that this opposition proceeded from a very different and less justifiable cause.

Wherever we find affairs of consequence managed for any length of time by a *system*, we must allow, that there exists some *principle of action*. In order therefore to throw light on your question, "What is the reason that the Directors were so averse to raise the Dividend of the Proprietors?" we must endeavour to investigate what their principle of action has been.

In the administration of publick affairs, an upright and able minister depends chiefly on knowledge, probity, and expediency; from these sources he draws his principles of action; and while he adheres to such principles, the affairs he conducts must generally, if not always, go right. His first care is to acquire a *perfect understanding* of the matter in hand; his next is to treat it with *good faith*; and having secured these two points, he can scarcely fail in doing *wisely*.

But as *all* Ministers are not indued with knowledge, probity and wisdom, such as are unfortunately destitute of these essential qualities,

qualities, are obliged to make use of a *substitute*, and this, I think, has invariably been found to be *cunning*, or something worse. Whenever therefore, we find a cunning Administration, we may safely conclude, that their counsels proceed not from the pure sources abovementioned.

Cunning, I venture to lay down as the source from whence these Directors, for some years past, have drawn those principles of action on which they have founded their *system*; and this system had, and still has, two objects; to impose on the Administration of this country, and to serve their own particular friends.—We must, said they, diminish the importance of the advantages obtained by Lord Clive's treaties, as much as possible, and represent the state of our affairs, prior to those treaties, as little better than ruinous: Thus we shall avoid rousing the attention of the Ministry; we shall give time to our friends to engross the stock; we shall steal a renewal of Charter on easy terms; and these points being gained, we shall burst forth at once into all the splendor of Eastern Pomp.—Whatever grounds the Directors might have had for forming a judgment so little advantageous to Administration, the cunning was very shallow indeed,

deed, which led them to think, that they could impose on the many thousand Proprietors, in whom the stock was vested, and who therefore were deeply interested in watching and detecting every attempt which could turn to their disadvantage.

In support of my opinion, I must prove (agreeable to my own positions) that the measures pursued by the Directors since the acquisition of territorial revenues in India, have neither been consonant to sound knowledge, strict justice, nor common prudence. And in case I fail in making out this charge, I am content not only to recant, but to take all shame to myself, and allow to them all possible praise and respect.

My proofs I shall ground on a short, simple, but scrupulously true narration of facts, from the acquisition of the Dewannee of the conquered provinces in India to the present hour.

So early as April 1766, the Directors received an account from Lord Clive, that Soujah Dewla, having been subdued, had been obliged to make good all the expences of the war, and that the Shaw-Zada (now Mogul) had, by treaty, ceded to the Company,

pany, the Dewannee of the three provinces of Bengal, Bahar, and Orixá, reserving to himself a pension, and for the Nabob, in whose name the government of those provinces is still carried on, an allowance sufficient to maintain the dignity of his court. Whether there was any necessity for such large allowances to these conquered princes, one of them too a prince of our own creation, is not a disquisition for this place; the wisdom however of securing a barrier, by supporting Soujah Dowla in the province of Oude, is less problematical, and, provided he can be kept perfectly dependent, his strength, instead of being an objection, is an advantage; for, it is better to have no ally or barrier, than to have a weak one. But I beg pardon for this digression.—

The first accounts the Directors received, were, that perfect peace was established in India; that the Company had obtained a revenue of above four millions sterling *per ann.*; that a debt of one million, bearing 10 *per cent.* interest, had been paid off; that a large sum for the China investments had been remitted in specie to Canton; that there remained money to a large amount in the treasury; and that the annual surplus of revenue, after defraying all charges civil and military, would amount to more than two millions

millions annually. The knowledge, the wisdom, the justice of the direction, must have been very confined, indeed, not to point out to them, what was proper to be done in a situation so clearly stated as this; a knowledge of human nature would have taught them that this was a great crisis, not only in the affairs of the Company, but of this country: Prudence would have taught them that in order to render such an acquisition permanent, it was necessary to part with some of it; and justice would have convinced them, that it was their duty to serve both the Proprietors in their private, and the state in its publick capacity; but unfortunately the Proprietors had chosen a *cunning* direction; *hinc illæ lacrymæ!*

For at a general Court held in June 1766, when a motion was made for an augmentation of Dividend to eight *per cent.* it was carried in the negative through the influence of the gentleman who at that time acted as deputy Chairman, but who in reality conducted then, as he has more or less continued to do since, the affairs of the Company upon his own narrow line. It was said that the company laboured at home under a heavy load of debt; that it was proper to discharge this debt; that affairs in India were fluctuating;

ating ; that we might lose in the course of a year all the advantages we had gained ; and that we ought to wait for an accumulation of wealth to allow an increase of Dividend. To all this it was replied, and unanswerably too, That having discharged a debt of one million sterl. bearing an interest of 10 *per cent.* there was a fund, without reckoning upon any other advantage, to encrease the Dividend in proportion to the interest paid annually for that debt, which being exactly 100,000 *l. per ann.* authorised an augmentation of three *per cent.* upon the capital ; that affairs in India were very reducible to certain and fixed principles of reasoning, for that military prowess and discipline had never failed to secure success in that country from the campaigns of Alexander the Great down to those of even General Carnac ; that an augmentation was not demanded in proportion to the successes obtained, for that would amount to 75 *per cent.* but only as an acknowledgement that the Proprietors were, after the many imminent perils and risks which they had run, to reap some advantage from their perseverance, and to taste some of those sweets in which their servants wallowed at large ; that one of their servants in particular enjoyed an annuity of one *per cent.* on their capital, while the entire body of

Proprietors only demanded an augmentation of two; that it would be ridiculous to wait for an accumulation of riches prior to a declaration of an increased Dividend, because it would be impossible to conceal the real state of the Company, and therefore purchasers would buy on speculation; that such a delay would give foreigners, who already were in possession of one third of the Stock, an opportunity to purchase large sums at a low price; and that the Proprietors, seeing the Directors pay no attention to the advantage of their Constituents, would not for the future place such a confidence in them as would enable them to regulate their great acquisitions in such a manner as would secure harmony at home and permanency abroad. These, and many other arguments to the same purpose, were used in vain; for a *cunning* plan was laid, and the augmentation rejected. This was the first capital error; and as weak men are generally obstinate, this error obstinately persisted in since, has been the occasion of all the blunders and errors consequent of so impotent a beginning.

Had the Directors, when the first advices of the acquisition of the Dewannee were received, convened a Court of Proprietors, and told them that they were happy to take the

earliest opportunity of manifesting their attention to their interest, by declaring an immediate encrease of Dividend; had they at the same time demanded authority from the Court to make an offering to the state of such annual sum as their successes in India might enable them to pay, for the protection and aid which they had received and might in time stand in need of, all the mischiefs which have since arisen from their conduct would have been avoided; the Proprietors would have placed an unlimited confidence in their conduct; and the question of right between the Company and the state would never have come into agitation.

The indignation of the Proprietors of large property was raised to an incredible pitch by this treatment; they published in a series of papers the actual state of their commercial and territorial affairs; they proved an annual and growing encrease of property to the Company of a million and a half sterling; they refuted in the amplest manner the arguments used to deceive the publick; they mustered all their strength for the ensuing Court; and in a word, they declared a Dividend of 10 *per cent.* Such however was the artifice of the Directors, that it was near a year before the Stock came to any perma-

nent price, reports being industriously spread that it was easy to augment Dividends, but very difficult to pay them. The same game is now played over again with the same success.— About this time (Sept. 1766.) his Majesty's Ministers set up their claim to the territorial revenues in right of the sovereignty of Great Britain over all countries acquired by conquest. The Proprietors now had a double battle to fight; for Administration was *cunning* too, and instead of supporting the Proprietors (who wished to serve the state, and who were ready to acknowledge their claim on being paid a just indemnification for the expences sustained and the risks incurred in obtaining the acquisition) they joined and protected the Directors, who denied that the Company was enriched by their conquests, or that the point of right terminated in the state. About this time Mr. Sullivan, ever anxious to promote the good of his country, as well as the interest of the Company, which he had served so long, so faithfully, and so ably, offered to the Proprietors his plan of accommodation between them and the publick.

This plan produced another from the Directors, in which they proposed $12\frac{1}{2}$ per cent. to the Proprietors, (with increase afterwards

terwards to 15 *per cent.*) and the like sum; with participation of trade and revenues to the State: and this plan was carried, in preference to the other, by a ballot of the Proprietors, but rejected by Administration.— It nevertheless served the purposes of the Directors, by securing their re-election, which came on immediately after; and so far indeed their cunning was of use to them. By these propositions, however, they gave the lie to all their former assertions, avowing, at last, the true circumstances of the Company, which they had hitherto so foolishly and obstinately denied, and which we have found them persist in denying again.— Very soon after the re-election of the Directors, the Proprietors called a court, and voted a dividend of $12\frac{1}{2}$ *per cent.* to themselves, and 400,000*l. per annum* to the publick, as a temporary agreement; and such was the good faith of the Proprietors, that they did not even include both votes in the same proposition, trusting that an Administration which they thus laboured to serve, could not combine to cheat them. They forgot however that the Administration was *cunning*; and they never once dreamt that they would take the sum offered to themselves, and that (at the desire of the Directors, the very Directors who the month before proposed

posed this very dividend of $12\frac{1}{2}$ *per cent.*) they would procure an Act of Parliament to rescind and restrict their Dividend to 10 *per cent.* not to be augmented before the next session. While this question was agitated in Parliament, such papers were called for by the Members, and such evidences were examined at the bar of both houses, as put an end to all doubt concerning the riches and actual situation of the Company. The Directors however still continued cunning, and being beat from their former, they now betook themselves to fresh ground.

It was acknowledged that the Company was very rich in India, but then it was very poor in England; a large debt was due to the Bank; a larger still was due for freight; the warehouses were full of goods; too large quantities, if brought to market, would lower the prices; all the simple contract debts must be paid off; they did not think they had a right to have so many Bonds outstanding; and, in a word, it was roundly asserted that no increase of Dividend, let their circumstances be what they would, ought to take place but from their cash account, after the liquidation of all these debts. In vain was it objected, that these positions were contrary to the very nature and essence of
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of commerce; that it would be absurd to pay off debts bearing three *per cent.* interest, when 17 *per cent.* could be gained by employing the money in trade; that the Bank subsisted by discounting of bills, and consequently must suffer essentially by being paid off; that ability in trade consisted in keeping as much money as possible invested in goods, and as little as possible in cash; that goods in warehouses were equal to money in bank; that it was our business to sell for small profits, in order to cut off competition in the foreign companies; that our bonds did not amount to the sum allowed by charter; that instead of diminishing the quantity of our bonds, it would be serviceable both to commerce and the state to augment their numbers, which could not be denied, while these bonds bore a premium, and while an increase of trade brought an increase of revenue by customs and excise; with many other arguments equally solid; but all had no effect; for it was the opinion of a very great man at the head of the law, (who by the bye changes his opinions wonderfully often and easily) that the Company had no right to divide but from its cash account.

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Ridiculous as this position is (for in order to divide more we must trade less) it was determined, but not without a most remarkable protest, that the Dividend of the Company should be restrained till the first of February 1769, the cash account not authorising an augmentation of Dividend sooner.

The year 1767 produced a considerable occurrence in the India direction, I mean the commencement of a new interest. Mr. R——s, whose connections lead him to an invariable opposition to Mr. S——n, rather than admit him (single and unsupported by any thing but his abilities) into the direction, suffered a powerful faction to break in upon himself, contractors and money-jobbers. These, instead of joining him as he expected, united themselves to Mr. I——s, who, before their accession, was supported principally by the aid of Mr. S——n's friends. Being now strong enough to set up for himself, Mr. I——s commenced an open hostility to Mr. R——s, and would certainly have defeated him, if the opposition had not obliged the Directors in general to join for their common preservation in an ill cemented union, which we have seen drop to pieces as oft as self-interest intervened. This party of Mr. I——s's
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however has never cordially concurred in the system of decrying the circumstances of the Company and depressing the stock.

From what has been said, it is not difficult to form an idea of the direction which took place in 1768. A money-making interest prevailed in their Councils; money may be made two ways; consequently, to-day we may depend upon an encrease of dividend; to-morrow the situation of the Company will not allow it. To-day the estimate given in to Parliament relative to the cash account holds good to a farthing; to-morrow there is a great deficiency in the sale of teas, and the Egmont has lost her passage for this year. To-day the raw silks have sold wonderfully, and the long cloths have exceeded our expectation ten *per cent.* to-morrow the Egmont is arrived; Hyder Allee is still in the field; the war costs 600,000 *l. per annum* above the peace establishment, and Lord Clive's estimate of the revenues falls short 300,000 *l.* In a word, there is no following them through all their turnings and windings. It is from a general Court of election alone that the Proprietors can expect justice, as it was from the Proprietors alone that Government have obtained a fair and equitable partition of the

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advantages obtained in India. Had the Administration supported, instead of depressing, the Proprietors, this great question had been easily decided, and the interest of the Public and the Company would from the first have gone, as they ought to do, hand in hand. It is evident that the Directors did not wish for an agreement; the first thing the Proprietors did upon their Re-election was to give them authority to treat with Administration for an accommodation; and they seemed on all occasions industriously to avoid it, or to do it in a way calculated to prevent success. Instead of an open and ingenuous communication, they had recourse to chicane and little finesse; and when the agreement was at last actually carried, it was not without the utmost opposition from them. The Direction of 1767 acknowledged that we were rich in India, but we were poor in England; that of 1768 allowed wealth in both, but the cash account was low; in 1769 we are rich, it is true, in England, but we maintain a very expensive war in India. At this rate, were we in possession of all the riches of the East, excuses would never be wanting.

In order to conclude a subject, which, from my manner of handling it, must, I fear, have

have tired the reader, I will state the affairs of India, not in their real flourishing condition, but in the way the Direction stated them lately; and if the inference drawn from thence, after allowing half a million *per annum* to Government, authorises a much larger dividend than that contended for lately, held out to them often, once actually offered, and twice restrained, I hope I shall not be thought to have gone too far in saying that the affairs of this great Company, a Company which already furnishes near one fourth of the revenues of the state, have not been managed with ability, equity, nor wisdom.

Mr. R——s, in his public examination on oath, acknowledged that the profits on trade alone amounted on an average of ten years to 600,000 *l. per annum*. All simple contract debts in England will be paid off by the first of August. The ware-houses in England are full of goods, to the amount of some millions. Our outward bound ships are valuably laden; our homeward bound ships the same; all these things must be allowed; but, say the Directors, Lord Clive's account of the revenues falls short 300,000 *l.* The war has exhausted the treasury in India, it costs 600,000 *l. per annum*, and we do not

know how it will terminate.---Be it so then, let us allow things just as they state them; let us allow the war to last for ten years; let us annihilate all the goods in our warehouses and at sea; let us drop the profits on trade, which are seventeen *per cent. per ann.* and which no Government, not even the most despotic, has a right to touch; and then let us see what dividend will after all remain to the Proprietors.

R E V E N U E.

The revenues of Bengal and Bahar have been usually rated at 3,500,000*l.* but I shall state them, to avoid all possibility of dispute, at the lowest estimate

I have yet heard them reduced to, viz. <i>£.</i> 2,680,000	
Ditto, of Orixá - - - -	130,000
Ditto, of the Company's lands, prior to the Dewannee - - - -	625,000
Customs, duties, &c. - - - -	130,000
Revenues of the five Northern Circars	450,000
Ditto, of the Coromandel establishment, over and above its expences - - -	90,000
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	<i>£.</i> 4,105,000

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Civil and military establishment of Bengal, including marine and fortifications - - -	£. 950,000
Pension to the King and Nabob	930,000
Expence exceeding the revenues of Bombay, Bencoolen and St. Helena - - -	65,000
Abatement for revenues of Orixa, which perhaps may not be recovered for some years	130,000
	<hr/> 2,077,500
	Balance £. 2,027,500

Deduct again for an error in estimate, which however may and ought to be remedied	£. 300,000
Ditto, for extraordinary ex- pences of a war which must soon be terminated with resti- tution of all expences -	600,000
To be paid to Government -	400,000
	<hr/> 1,300,000

Balance still remaining for dividend
to Proprietors - - - - £. 727,500
Which, on a capital of 3,200,000 l. amounts to 23
per cent.

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Was there then either wisdom, probity or ability in restraining the Proprietors from dividing $12\frac{1}{2}$ *per cent.*? Is it not on the contrary evident that the Company can afford this Dividend to their Proprietors, an equal sum to Government, and lay up a million sterling *per ann.* from profits of trade and surplus of revenues, to be lent afterwards to Government, (for what else can be done with it) at a very low interest? And to shew that this is not an exaggerated state, I appeal to the annual accounts made up every year in the month of June, which confess an accumulation of one million four hundred thousand pounds in the year 1767; and nearly as much in 1768.—But if this is the state of the Company at present, what will it be enabled to do when the pensions to the King and the Nabob fall in; when the war on the coast ceases; when the revenues of the Decan, for which the foundation is already laid, are paid into the treasury of Madrafs in the same manner as those of Bengal are to the Treasury of Calcutta; when the trade of foreign companies is dropt from inability of competition with England; and when the commerce of this country is encreased in a ratio of all these concurrent circumstances? But I beg pardon of the Directors
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for launching out at this unseasonable time into this extended view of futurity ; I know how limited their understandings are, and I mean not totally to confound them.

I am,

S I R,

Your most humble Servant.